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TO RUEHC/SECSTATE WASHDC IMMEDIATE 2539
INFO RUEHXX/ARAB ISRAELI COLLECTIVE PRIORITY
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C O N F I D E N T I A L JERUSALEM 002245

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NEA FOR FRONT OFFICE; NEA/IPA FOR
WILLIAMS/GREENE/WATERS/WAECHTER; NSC FOR
ABRAMS/DORAN/LOGERFO; TREASURY FOR NUGENT/DOWNARD

E.O. 12958: DECL: 06/05/2016
TAGS: [ECON](#) [EFIN](#) [PGOV](#) [KWBG](#)
SUBJECT: BANK OF PALESTINE PAYS SOME PA SALARIES; OTHER
BANKS PLEAD LACK OF FUNDS

REF: A. JERUSALEM 2200

[1](#)B. JERUSALEM 2226

Classified By: Consul General Jake Walles, Reasons 1.4 (b) and (d).

[1](#)1. (C) Summary: In response to instructions from the PA Ministry of Finance, the Bank of Palestine (BoP) began June 4 to deposit PA salary payments into BoP accounts of PA employees. Funds for the payments reportedly came from a PA account for domestic revenues held at the BoP's Ramallah branch office. In accordance with the salary payment plan announced by PA Prime Minister Haniyah May 30, only PA employee account-holders earning NIS 1,500 (USD 335) or less per month received payments (about 10,300 people) and only a one-month salary. Other banks operating in the West Bank and Gaza publicly announced that they had received no transfer of funds from the PA and, therefore, could not pay the salaries of their PA employee account-holders. The banks emphasized, however, that they would continue offering PA employees a one-month advance on their salaries and loans, if they qualify, with particular attention to low-income PA employees. End Summary.

[1](#)2. (SBU) Local Arabic language press reported June 5 that PA employees holding accounts at the Bank of Palestine (BoP) had started receiving salary payments late on June 4. Other banks, citing a lack of funds and the absence of any transfers from the PA, did not make any salary payments to their PA employee account-holders. In accordance with the PA's payment plan, the BoP made payments equal to one month's salary and only to those PA employees earning NIS 1,500 (USD 335) or less per month.

[1](#)3. (C) BoP Chairman Hani Shawa confirmed to EconOff the June 5 press accounts and explained that a PA account for domestic revenues at the BoP's Ramallah branch had accumulated sufficient funds, NIS 13 million, for the BoP to pay lower-salaried PA employees with accounts at BoP (10,300 PA employees). Therefore, when the Ministry of Finance ordered BoP to pay these salaries from this account, BoP "couldn't say no." Shawa emphasized that the Ramallah account had been established long before the formation of the current Hamas-led PA government as had the mechanism for disbursing funds from the account. As a consequence, he said the BoP had no clear legal basis for refusing the PA's request. Shawa stated that other banks, however, do not have sufficient funds in PA accounts nor had they received any transfers of funds from the PA. He added that, based on previous credit facilities and loans, the PA continues to owe BoP about NIS 100 million. He estimated total PA and private

sector debt to BoP at about USD 400 million. (Note: Other banks, including Arab Bank, have previously cited the debt owed to them by the PA as a major reason why they would not continue to facilitate disbursements on behalf of the PA. End Note.)

¶4. (C) Cairo-Amman Bank Regional Manager Joseph Nisnas told EconOff June 5 that, contrary to some press reports, his bank is not paying PA employee salaries. He said that the bank continues to extend regular services to its customers, to include loans to PA employees and private sector personnel. Nisnas stated that PA accounts held by the bank did not include any receiving deposits of PA domestic revenues. In response to EconOff's question, he said he had also heard but could not confirm that PA domestic revenues previously transferred by some banks to the Arab Bank were now directed to account(s) at the BoP. Commercial Bank of Palestine (CPB) President Suheil Gideon told EconChief that any domestic revenues that CPB has collected on behalf of the PA since the change of government have been transferred to a PA account at the Bank of Palestine. (Note: ConGenOffs have not yet been able to confirm with Shawa that the Bank of Palestine is now holding a single treasury account (STA) for the PA's domestic revenue collection. Previously, Shawa has said that the BoP had decided not to hold the PA's STA. End note.)

¶5. (C) In response to demands and even threats by armed groups against banks declining to pay PA salaries, the Banks' Association of Palestine posted notices June 5 in the three major Arabic language dailies explaining that, other than the BoP, the other commercial banks did not have the necessary funds to pay PA salaries. The notices emphasized, however, that banks would continue, whenever possible, to provide advances on salary payments and loans to PA employees. (Note: Finance Minister Omar Abdel Raziq told local media on June 3 that the Arab Bank is excluded from the obligation to

pay partial salaries to PA employees. He indicated that those who have bank accounts in the Arab Bank will receive their payments from the PA Post Office. Reports indicate that this has not yet occurred. End note.)

¶6. (C) Presidential Economic Advisor Mohammad Mustafa told Consul General June 5 that he had been surprised to hear on June 2 that the PA had committed to implementing its payment plan the following week. Mustafa said that he understood that the PA had just NIS 22 million in cash and a NIS 18 million credit facility with the Bank of Palestine to use for this purpose. He added that the PA had assumed it could use a Bank of Jordan facility, but was later informed that it had been frozen. The PA had also insisted that banks pay salaries from their own funds. The banks, however, approached Palestinian Monetary Authority (PMA) Governor Abed for help, and received his backing along with a commitment from President Abbas to support the banks' independence. Mustafa opined that the PA actions could backfire because now more than ever the Palestinian public understands that the PA alone is responsible for salary payments.

WALLES